

- A 7330-1U

7/87-

NADA DATA FOR 1987

**ECONOMIC IMPACT OF
AMERICA'S NEW CAR
AND TRUCK DEALERS**



Introduction

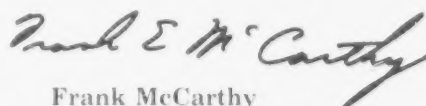
In 1986, America's franchised new-car and truck dealers continued on their four-year recovery and set records for both unit and dollar sales. The charts and graphs of this, the 1987 edition of NADA Data, document this recovery in the motor vehicle retailing industry and show that it is not a mere coincidence that during this same period the national economy, as a whole, underwent its longest and strongest expansion ever.

From a low of 10.5 million units in 1982, total new-vehicle sales rose 55 percent to a record 16.3 million units in calendar year 1986. This, coupled with increases in both the used-vehicle and service and parts market, led to a record \$283 billion in total dollar sales for the nation's franchised dealers.

Dealers are a major employer within their communities and, therefore, it has been a welcomed sign that the recovery in sales has also led to a rebuilding of dealership payrolls. Over the past four years, total dealership employment has risen by 25 percent, which represents the creation of almost 178,000 new jobs. The annual payroll of all dealerships totaled \$19.6

billion in 1986 and represented 12 percent of the total retail trade payoff in the nation.

The total economic impact of America's franchised dealers goes far beyond the sales and service of vehicles and the employment of numerous people. Dealers must also spend vast sums of money within the local community in order to successfully operate their businesses. In 1986, dealers had total expenditures (excluding cost of goods sold) of \$34.1 billion. Some typical expenditures include: advertising (\$3.4 billion), rent and equivalent (\$25.5 billion), floorplan interest (\$1.4 billion) and heat, light and power (\$0.7 billion). In addition, the franchised dealer is a major source of tax revenues and, in most cases, a major contributor of time and money to local charities.



Frank McCarthy
Executive Vice President
National Automobile Dealers Association

Table of Contents

Average Dealership Profile.....	1
NADA Optimism Index.....	2
Number of Franchised New-Car Dealerships	3
Total Dealership Sales Dollars.....	4-5
The New-Vehicle Department	6-7
The Used-Vehicle Department	8
The Service and Parts Departments.....	9
Employment and Payrolls.....	10-11
Advertising	12
Consumer Credit.....	13
Vehicles in Operation and Scrappage.....	14
Total Registrations	15
The Franchised New Truck Dealer.....	16

AVERAGE DEALER PROFILE

Total dollar sales for the average franchised dealership have more than doubled over the past five years. The new-vehicle department, due to record new-unit sales, has shown the largest dollar increases, but franchised dealerships have also had significant increases in their used-vehicle and service and parts operations.

In addition to having increases in dollar sales, all dealership departments also had increases in the actual unit volume of work performed. As compared to 1985, the average dealership had a 3 percent increase in new-unit sales in 1986. Used-unit sales increased 1 percent

and the total number of repair orders performed by the average dealership increased by 3 percent.

In 1986, gross as a percent of sales decreased slightly, but remained above the low levels experienced in 1982-1984. Nevertheless, the long-term trend (over the past 30 years) has been for dealerships to become increasingly large businesses that operate on increasingly thin margins.

Some representative major expenses for the average dealership in 1986 are as follows:

Total payroll	\$780,000
Advertising	134,100
Rent and equivalent	101,400
Floorplan interest	57,500

The sharp recovery in new-unit sales from the downturn of 1980-1982 has allowed dealership profitability to return to more normal levels. In 1986, net profit before tax as a percent of total sales remained above 2 percent for the fourth consecutive year.

Dealership profitability as measured by return on investment has also shown tremendous gains, especially if one considers the cost of money. Deducting the average yield on one-year Treasury bills from the dealer's net profit before tax as a percent of net worth shows that in 1980 the average dealer had a negative return. In 1986, this measure of profitability reached its highest level ever. ■

Average Dealership Profile

	1980	1981	1982	1983	1984	1985	1986	% Change 1985-86
Total dealership sales (\$)	4,757,557	5,524,971	6,136,755	7,706,694	9,330,045	10,481,683	11,269,652	7.52
Total dealership gross (\$)	731,237	817,143	851,782	1,058,129	1,258,623	1,497,832	1,599,164	6.77
As % of total sales	15.37	14.79	13.88	13.73	13.49	14.29	14.19	
Total dealership expense (\$)	702,215	753,054	772,004	893,206	1,055,228	1,267,235	1,355,739	6.98
As % of total sales	14.76	13.63	12.58	11.59	11.31	12.09	12.03	
Net profit before taxes (\$)	29,021	64,090	79,778	164,923	203,395	230,597	243,424	5.56
As % of total sales	0.61	1.16	1.30	2.14	2.18	2.20	2.16	
Net pre-tax profit in constant '67 dollars	11,758	23,531	27,593	55,265	65,379	71,570	74,124	3.57
New vehicle dept. sales (\$)	2,930,655	3,375,757	3,767,967	4,886,044	6,101,850	7,075,136	7,584,476	7.20
As % of total sales	61.60	61.10	61.40	63.40	65.40	67.50	67.30	
Used vehicle dept. sales (\$)	999,087	1,265,218	1,399,180	1,734,006	1,987,300	2,054,410	2,242,661	9.16
As % of total sales	21.00	22.90	22.80	22.50	21.30	19.60	19.90	
Service and parts sales (\$)	827,815	883,995	969,607	1,086,644	1,240,896	1,352,137	1,442,515	6.68
As % of total sales	17.40	16.00	15.80	14.10	13.30	12.90	12.80	
New vehicles average selling price (\$)	7,530	8,850	9,910	10,725	11,100	11,925	12,850	7.76
Average net worth (\$) (as of 12/31)	378,786	385,015	421,480	556,440	569,600	653,064	646,566	-0.99
Net profit as % of net worth	7.66	16.65	18.83	29.64	35.71	35.31	37.65	

Source: NADA Industry Analysis Division

NADA OPTIMISM INDEX

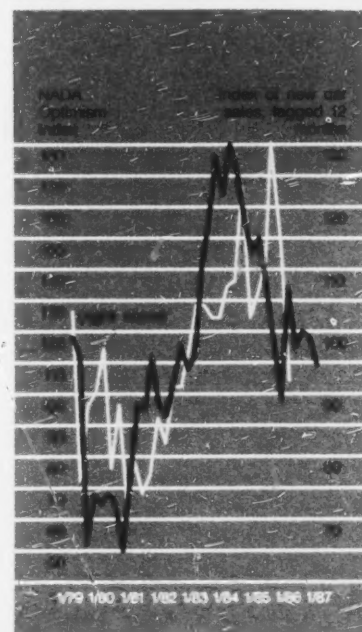
For the past 10 years, NADA's Industry Analysis Division has conducted a quarterly survey of the profit expectations of new-car and truck dealers for the succeeding 12 months. The survey results have closely matched dealers' actual profit experience and serve as a barometer of national economic trends.

At the beginning of 1987, the NADA Optimism Index stood at a level of 108—considerably less than its previous peak of 180, reached in January of 1984. The long-term decline in the Dealer Optimism Index indicates that dealers believe (as does NADA)

that new-vehicle sales will decline in 1987.

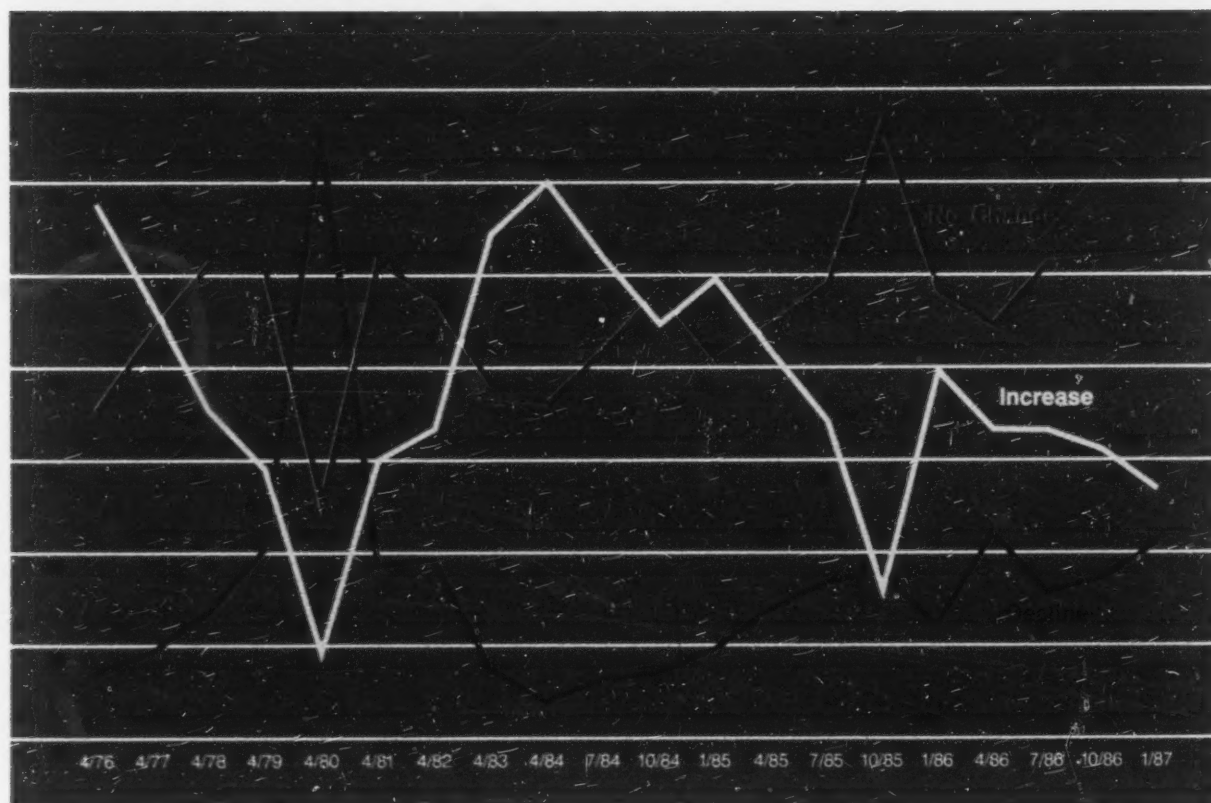
The chart on the right shows that the Dealer Optimism Index can be quite useful in predicting turning points in new car sales. Throughout 1981 and 1982, when many industry analysts were constantly predicting an imminent turnaround in new vehicle sales, dealers showed no significant increase in optimism. In retrospect, it can be noted that the low level of dealer optimism was well-founded. The NADA Optimism Index began to rise in early 1983 and, subsequently new-car sales began to improve. For the most part, the Optimism Index has declined steadily since the beginning of 1985.

Optimism Index vs. New Car Sales



Expectations for Dealership Profits

Percent of dealers expecting profits to:



Source: NADA Industry Analysis Division

NUMBER OF FRANCHISED NEW-CAR DEALERSHIPS

For the second consecutive year, the total franchised new-car dealership count reversed its long-term downward trend. The increased dealership count was the result of both the continuing recovery in new-vehicle sales and the introduction of several new import franchises. On Jan. 1, 1987, there were 25,150 new-car dealerships in operation—an increase of 425 over the past two years.

Franchised dealerships in 1987 grew not only in number, but also in size. NADA's estimate as to the distribution of dealerships among four volume categories is presented below:

Annual New-Unit Sales Volume	Number of Dealerships
0-149	7,295
150-399	8,050
400-749	4,650
750 or more	5,155

The following explicatory notes are needed to interpret the breakdown of dealerships by category as presented in the table at the top of the page.

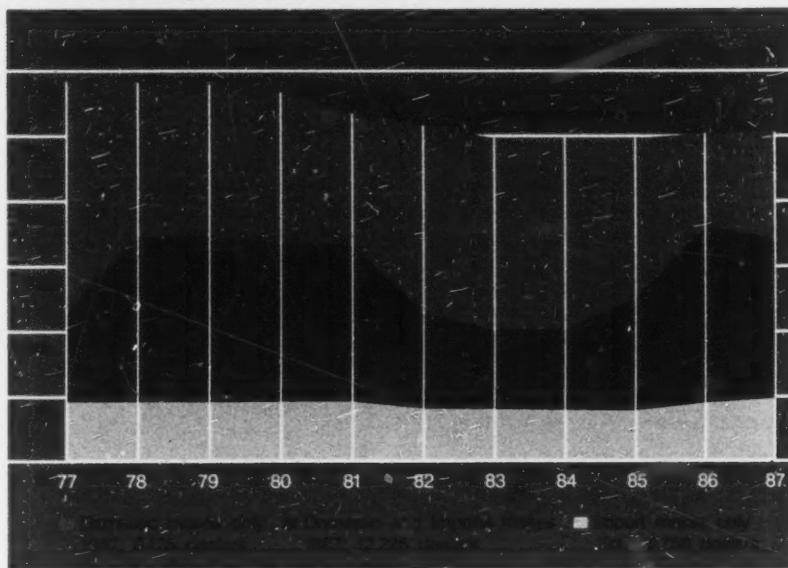
■ The large increase in the category entitled "handling both domestic and import makes" that has occurred in recent years is the result of the introduction of several captive imports. Of the 12,225 dealers in this category in 1986, nearly 9,800 represent domestic dealers that also sell their manufacturer's captive import line. The remaining 2,425 dealers represent dealers dualled with a non-captive import.

■ Starting in 1983, AMC-Re-nault dealerships have been classified as "handling domestic makes only."

■ Starting in 1982, Volkswagen dealers have been classified as domestic dealers.

Estimated Number of Franchised New-Car Dealerships

As of the beginning of the year



Source: NADA Industry Analysis Division

Estimated Number of Franchised New-Car Dealerships

By State as of January 1, 1987

Alabama	378	Montana	190
Alaska	38	Nebraska	285
Arizona	215	Nevada	72
Arkansas	359	New Hampshire	190
California	1,861	New Jersey	765
Colorado	280	New Mexico	150
Connecticut	383	New York	1,430
Delaware	72	North Carolina	738
D.C.	10	North Dakota	175
Florida	866	Ohio	1,157
Georgia	641	Oklahoma	435
Hawaii	50	Oregon	321
Idaho	155	Pennsylvania	1,595
Illinois	1,257	Rhode Island	92
Indiana	697	South Carolina	336
Iowa	585	South Dakota	165
Kansas	415	Tennessee	463
Kentucky	370	Texas	1,545
Louisiana	398	Utah	157
Maine	204	Vermont	112
Maryland	376	Virginia	630
Massachusetts	600	Washington	387
Michigan	895	West Virginia	272
Minnesota	590	Wisconsin	775
Mississippi	318	Wyoming	90
Missouri	610	Total U.S.	25,150

Source: NADA Industry Analysis Division

■ There is a growing trend for one dealer principal to operate, or have a financial interest in, more than one dealership. In such instances, each dealership has been counted once and placed in the category appropriate for the make(s) it handles. (Recent NADA surveys indicate that 20 percent of

all dealers have a financial interest in more than one dealership.)

■ Of the total 25,150 new "car" dealerships, approximately three-fourths sell or have the right to sell their manufacturer's light-duty truck models. ■

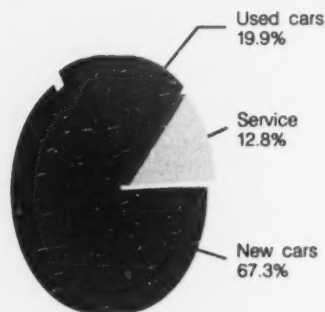
TOTAL DEALERSHIP SALES DOLLARS

The total dollar sales of all franchised new-car dealerships reached a record \$283.2 billion in 1986, up 8.8 percent from 1985. Although the dollar sales increase was led by the recovery in new-vehicle sales, the average dealer also had significant gains in both used-vehicle and service and parts sales.

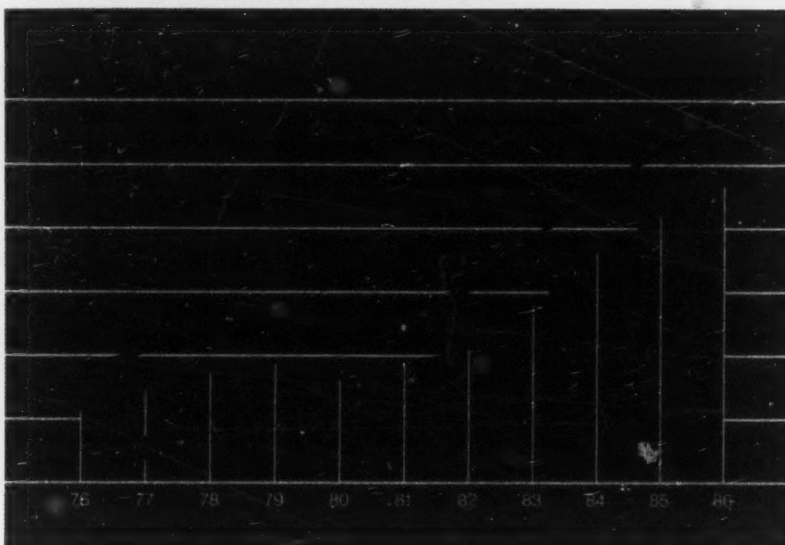
The chart below shows that the typical franchised dealership is increasingly becoming a large business. In 24 states and the District of Columbia, the average franchised dealership had sales in excess of \$10 million. In only four states were average sales in 1986 below \$5 million.

Share of Total Dealership Sales Dollars

By department



Total Sales of Franchised New-Car Dealers



Source: U.S. Department of Commerce and NADA Industry Analysis Division

1986 Total Sales by State

State	All dealers (\$ Millions)	Average per dealer (\$ Thousands)	State	All dealers (\$ Millions)	Average per dealer (\$ Thousands)
Alabama	4,448	11,768	Montana	789	4,153
Alaska	395	10,382	Nebraska	1,560	5,475
Arizona	4,266	19,842	Nevada	1,448	20,115
Arkansas	2,184	6,084	New Hampshire	1,547	8,141
California	31,848	17,114	New Jersey	11,135	14,556
Colorado	3,863	13,795	New Mexico	1,447	9,643
Connecticut	5,018	13,102	New York	16,118	11,272
Delaware	889	12,341	North Carolina	7,699	10,433
D.C.	140	14,024	North Dakota	842	4,812
Florida	17,341	20,024	Ohio	13,316	11,509
Georgia	8,526	13,302	Oklahoma	4,264	9,803
Hawaii	777	15,532	Oregon	2,970	9,251
Idaho	896	5,780	Pennsylvania	13,161	8,251
Illinois	13,580	10,803	Rhode Island	1,159	12,596
Indiana	6,507	9,336	South Carolina	3,341	9,943
Iowa	2,859	4,887	South Dakota	748	4,532
Kansas	2,714	6,540	Tennessee	5,798	12,523
Kentucky	3,364	9,092	Texas	18,915	12,244
Louisiana	3,697	9,290	Utah	1,541	9,818
Maine	1,449	7,102	Vermont	698	6,229
Maryland	6,279	16,700	Virginia	8,077	12,821
Massachusetts	8,116	13,527	Washington	4,231	10,933
Michigan	12,365	13,816	West Virginia	1,863	6,848
Minnesota	4,879	8,269	Wisconsin	5,342	6,893
Mississippi	2,178	6,848	Wyoming	487	5,409
Missouri	6,076	9,960	Total U.S.	283,150	11,270

Source: NADA Industry Analysis Division

TOTAL DEALERSHIP SALES DOLLARS

Relationship of Franchised New-Car Dealers to Total Retail Trade

	Number of Dealers as % of Total Retail Establishments in the State	Dealer Sales as % of Total Retail Sales in the State	Dealer Payroll as % of Total Retail Payroll in the State	Dealer Employees as % of Total Retail Employment in the State
Alabama	1.9%	24.4%	12.1%	5.5%
Alaska	1.3%	8.8%	8.3%	4.1%
Arizona	1.3%	23.2%	12.7%	4.9%
Arkansas	2.5%	19.4%	11.6%	5.7%
California	1.4%	17.8%	12.3%	4.6%
Colorado	1.6%	17.6%	11.7%	5.1%
Connecticut	2.1%	23.6%	12.1%	5.2%
Delaware	1.8%	21.2%	12.9%	5.8%
D.C.	0.3%	2.8%	2.6%	1.3%
Florida	1.2%	22.0%	11.9%	4.8%
Georgia	2.0%	26.0%	11.6%	4.8%
Hawaii	1.0%	11.4%	6.9%	2.9%
Idaho	2.5%	18.5%	12.4%	5.8%
Illinois	2.2%	20.6%	10.1%	4.5%
Indiana	2.2%	20.2%	12.1%	4.9%
Iowa	3.0%	18.2%	12.4%	5.3%
Kansas	2.6%	18.9%	12.4%	5.7%
Kentucky	2.0%	18.0%	10.8%	4.8%
Louisiana	1.7%	17.7%	11.7%	5.2%
Maine	2.8%	20.6%	12.9%	6.1%
Maryland	1.6%	20.5%	12.4%	5.8%
Massachusetts	1.8%	17.4%	9.7%	4.3%
Michigan	2.0%	22.1%	11.7%	5.1%
Minnesota	2.5%	17.5%	10.3%	4.5%
Mississippi	2.3%	18.2%	12.3%	5.5%
Missouri	2.2%	19.2%	11.1%	4.8%
Montana	2.7%	16.6%	12.4%	5.8%
Nebraska	2.7%	17.3%	11.8%	5.1%
Nevada	1.4%	20.2%	12.1%	5.1%
New Hampshire	2.5%	21.0%	13.2%	6.0%
New Jersey	1.8%	20.9%	11.1%	4.9%
New Mexico	2.0%	17.8%	11.9%	5.3%
New York	1.5%	15.5%	8.1%	3.8%
North Carolina	2.2%	21.0%	11.7%	5.3%
North Dakota	3.6%	19.5%	15.1%	7.0%
Ohio	2.1%	21.1%	10.5%	4.8%
Oklahoma	2.4%	21.2%	11.4%	5.2%
Oregon	1.9%	19.3%	12.2%	5.6%
Pennsylvania	2.4%	19.0%	11.4%	5.3%
Rhode Island	1.6%	20.9%	8.9%	3.6%
South Carolina	1.8%	20.0%	11.4%	5.1%
South Dakota	3.1%	19.4%	13.8%	6.1%
Tennessee	1.9%	20.0%	11.9%	5.3%
Texas	1.7%	18.9%	11.4%	4.9%
Utah	2.0%	19.2%	11.9%	4.9%
Vermont	2.7%	19.7%	12.6%	6.0%
Virginia	2.2%	22.7%	13.6%	6.1%
Washington	1.7%	16.6%	11.5%	4.5%
West Virginia	3.0%	20.0%	13.5%	6.6%
Wisconsin	2.5%	21.2%	11.6%	5.0%
Wyoming	2.7%	13.2%	12.1%	5.7%
Total U.S.	2.0%	19.5%	11.9%	4.9%

Source: NADA Industry Analysis Division

NEW-VEHICLE DEPARTMENT

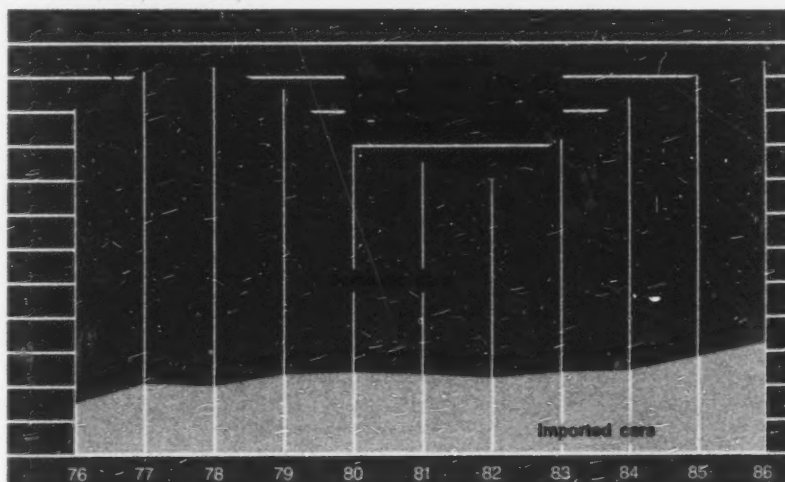
Reduced-rate financing and extensive dealer marketing contributed to the fourth consecutive year of increased new-car sales. From a low of 8.0 million units in 1982, total new-car sales rose over 40 percent to reach a record 11.5 million units in calendar 1986.

Relaxed Japanese export restraints, strong demand for European luxury models and the importation of new-car lines from other countries resulted in import sales soaring to a new record of 3.2 million units. Import penetration was also at an all-time high—28.3 percent.

The chart below shows that all domestic manufacturers lost market share in 1986 while "other" imports increased substantially. The market share of "other" imports (which includes the non-Big Three Japanese exporters plus European and Korean exporters)

New Passenger Car Sales

Annual totals (in millions)



Source: Ward's Automotive Reports

Market Penetration

Share of Total U.S. New-Car Sales

Year	AMC	Chrysler	Ford	General Motors	Volkswagen	Nissan	Honda	Toyota	Other Imports	Total
1977	184,361 1.65%	1,219,752 10.91%	2,552,210 22.83%	5,148,131 46.05%	262,932 2.35%	388,383 3.47%	223,633 2.00%	493,048 4.41%	706,394 6.32%	11,178,844
1978	170,739 1.51%	1,146,250 10.13%	2,582,702 22.83%	5,385,282 47.61%	242,241 2.14%	339,364 3.00%	274,876 2.43%	441,800 3.91%	727,149 6.43%	11,310,411
1979	162,057 1.52%	942,205 8.84%	2,140,368 20.08%	4,917,911 46.13%	295,293 2.77%	472,252 4.43%	353,291 3.31%	507,816 4.76%	869,158 8.15%	10,660,351
1980	149,438 1.66%	660,017 7.35%	1,475,231 16.43%	4,116,482 45.85%	269,466 3.00%	516,890 5.76%	375,388 4.18%	582,195 6.48%	833,477 9.28%	8,978,584
1981	136,682 1.60%	729,873 8.55%	1,380,600 16.18%	3,796,696 44.49%	244,910 2.87%	464,806 5.45%	370,705 4.34%	576,491 6.76%	832,372 9.75%	8,533,135
1982	112,433 1.41%	691,703 8.67%	1,345,698 16.86%	3,515,660 44.06%	159,529 2.00%	470,246 5.89%	365,865 4.58%	530,246 6.64%	788,365 9.88%	7,979,745
1983	193,351 2.11%	841,622 9.17%	1,571,321 17.11%	4,053,561 44.15%	162,065 1.77%	521,902 5.68%	401,072 4.37%	555,766 6.05%	881,411 9.60%	9,182,071
1984	190,255 1.83%	986,998 9.50%	1,979,317 19.05%	4,587,508 44.15%	177,317 1.71%	485,298 4.67%	508,420 4.89%	557,981 5.37%	917,256 8.83%	10,390,350
1985	123,449 1.12%	1,139,936 10.32%	2,070,392 18.75%	4,607,458 41.73%	218,241 1.98%	575,166 5.21%	552,389 5.00%	620,043 5.62%	1,135,041 10.28%	11,042,115
1986	72,849 0.64%	1,173,463 10.25%	2,066,507 18.04%	4,532,798 39.58%	217,206 1.90%	546,151 4.77%	693,515 6.06%	641,087 5.60%	1,508,990 13.18%	11,452,566
Average 1977-86	149,561 1.49%	953,183 9.46%	1,916,435 19.03%	4,466,149 44.35%	224,920 2.23%	478,046 4.75%	411,915 4.09%	550,647 5.47%	919,961 9.13%	10,070,817

Note: The captive import sales of GM, Ford, and Chrysler are included under "Other Imports."

NEW-VEHICLE DEPARTMENT

has more than doubled over the past 10 years.

As shown in the chart to the right, new-car sales exhibit tremendous volatility between months. In both 1985 and 1986, sales (on a seasonally adjusted annual basis) peaked in September because of the massive finance incentive programs offered by manufacturers. Not unrelatedly, sales were relatively low in October and November due to the inevitable "payback" that follows such temporary incentives. Sales in December of 1986 were stimulated by a rush to purchase before the loss of the sales tax deduction.

The strong rise in new-car sales over the past four years has resulted in a large increase in the number of new cars sold per dealer. In 1986, the average dealer sold 456 new cars—the highest level of sales ever.

Increased demand for large, more "upscaled" cars and rising import prices (due to changing exchange rates) led to a significant increase in the average selling price for new vehicles in 1986. The selling price figures presented below represent actual transactions during the calendar year and in no way attempt to control for quality or model mix changes. The selling price figures include all accessories and other items, such as

Average Number of New-Cars Sold per Dealer and Average Selling Price per Vehicle

Year	New cars sold	Average vehicle selling price
1976	346	\$5,470
1977	385	6,120
1978	391	6,470
1979	373	6,950
1980	327	7,530
1981	326	8,850
1982	316	9,910
1983	373	10,725
1984	420	11,100
1985	444	11,925
1986	456	12,850

Source: NADA Industry Analysis Division

New-Car Sales by Month Seasonally Adjusted Annual Rate

	1986 Actual	1986 SAAR* (in millions)	1985 Actual	1985 SAAR* (in millions)	% Change 1985-1986
January	873,000	11.4	835,100	10.9	4.5%
February	832,100	10.8	839,100	11.0	-0.8%
March	897,000	9.8	970,200	10.7	-7.5%
April	972,100	11.2	987,500	11.1	-1.6%
May	1,072,500	11.4	1,075,100	11.3	-0.2%
June	1,001,100	11.1	925,200	10.3	8.2%
July	954,000	10.7	898,900	10.3	6.1%
August	952,300	12.7	1,000,700	12.6	-4.8%
September	1,216,900	16.1	1,067,300	14.4	14.0%
October	906,700	10.3	863,800	9.6	5.0%
November	782,700	10.5	763,100	9.9	2.6%
December	992,200	13.6	812,300	11.5	22.1%
Full Year	11,452,600	11.5	11,038,300	10.4	3.8%

*Seasonally Adjusted Annual Rate

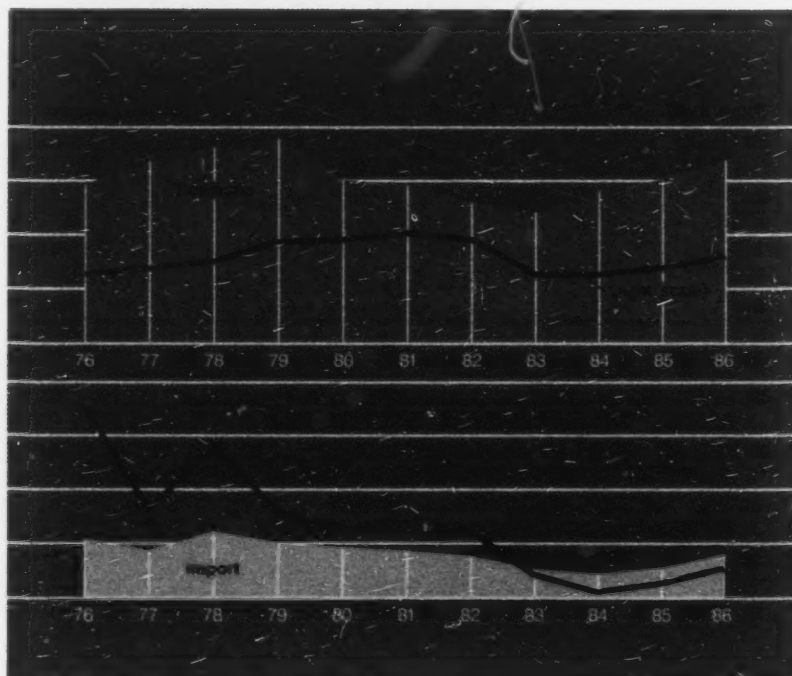
service contracts, that are included with the purchase of the vehicle.

The chart at the bottom right shows that domestic new-car inventories increased slightly in terms of both actual units and

days' supply in 1986. Import new-car inventories rose 44 percent in terms of actual units, but the days' supply stayed within reason and significantly below the levels that existed in the pre-quota years. ■

New-Car Inventories & Days Supplies

Yearly average



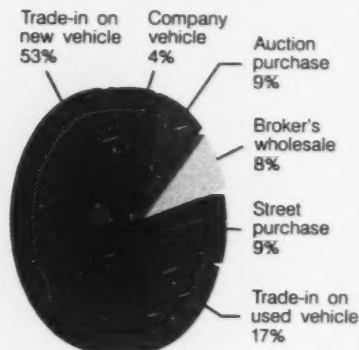
Source: Ward's Automotive Reports

USED-VEHICLE DEPARTMENT

In 1986, the franchised dealer's used-vehicle department successfully weathered attacks from a competitive new-car market that was aided by reduced-rate financing programs and the introduction of inexpensive new models. Although the share of total dealership sales accounted for by the used-vehicle department increased only slightly (from 19.6 percent to 19.9 percent), the share of total profits accounted for by used vehicles rose from 7 percent to 14 percent.

Franchised dealers obtain used vehicles from six major sources. NADA surveys indicate that the sources of used cars retailed by franchised dealers during 1986 were as follows:

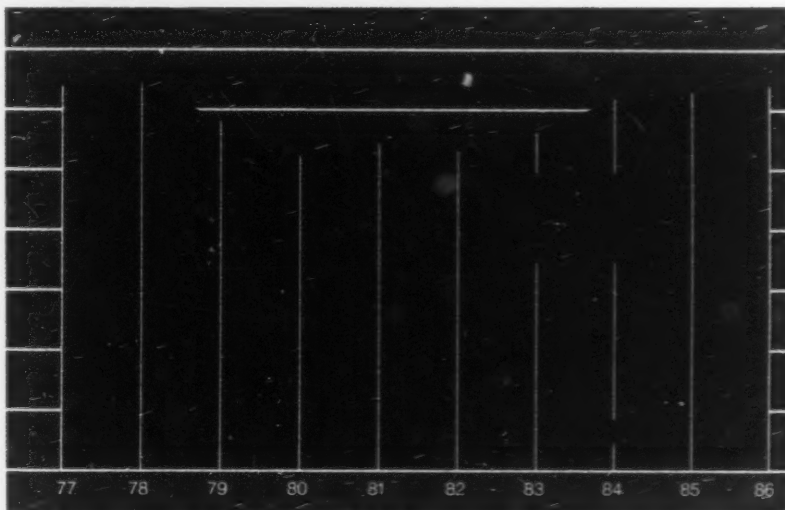
Sources of Used-Cars Retailed by Franchised Dealers, 1986



NADA surveys also provide the following distribution of used units retailed by model year for franchised dealers in 1986:

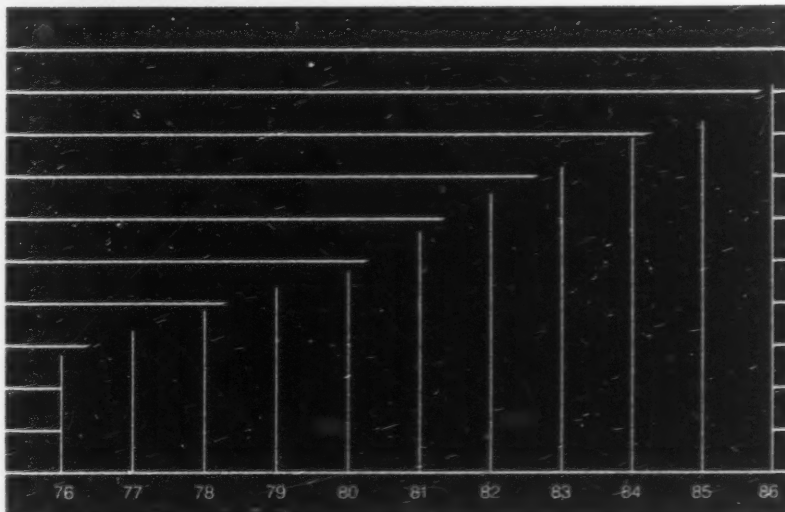
Model Year	Percent of Total Sales
1986	6.0%
1985	14.6%
1984	19.0%
1983	14.7%
1982	10.9%
1981	8.7%
1980 & prior	26.1%

Used-Vehicle Sales by Franchised New Car Dealers (in thousands)



Source: NADA Industry Analysis Division

Average Selling Price of Used Cars Retailed by Franchised New Car Dealerships



Source: NADA Industry Analysis Division

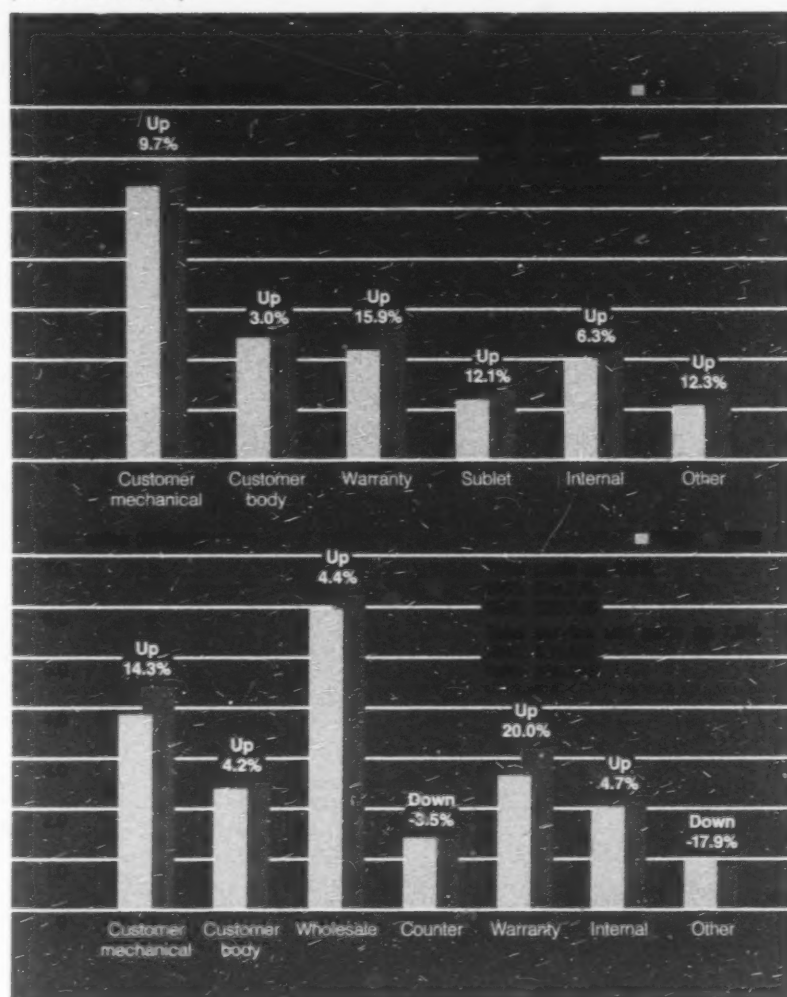
THE SERVICE AND PARTS DEPARTMENTS

The four-year recovery in new-vehicle sales has increased the number of newer models on the road, which in turn has led to a significant increase in warranty work for the average dealer. In 1986, total warranty work (both service and parts) increased 18 percent and accounted for 16 percent of total service and parts sales.

As shown in the chart below, franchised dealers must make a substantial commitment to the service and parts business in order to maintain customer satisfaction. In 1986, franchised dealers provided 392,000 service stalls, employed 222,600 mechanics and carried a parts inventory of \$10 billion.

Franchised New-Car Dealer Service and Parts

(millions in dollars)



Source: NADA Industry Analysis Division

Franchised New-Car Dealers' Service and Parts Sales

Year	Millions of dollars	Percent change
1976	\$16,721	18.2%
1977	18,526	10.8%
1978	20,469	10.5%
1979	23,150	13.1%
1980	22,703	-1.9%
1981	23,116	1.8%
1982	24,447	5.8%
1983	26,745	9.4%
1984	30,697	14.8%
1985	33,587	9.4%
1986	36,243	7.9%

Profile of the Franchised Dealer's Service and Parts Operation

	Average dealership	All dealers
Total service and parts sales	\$1,442,515	\$36.2 Billion
Total gross profit as percent of service and parts sales	38.2%	
Total net profit as percent of service and parts sales	1.7%	
Total number of repair orders written	7,925	199 Million
Total service and parts sales per customer repair order	\$150	
Total service and parts sales per warranty repair order	\$100	
Number of mechanics	9	222,600
Number of service bays	16	392,000
Total parts inventory	\$400,000	\$10 Billion
Average customer mechanical labor rate	\$32	

EMPLOYMENT AND PAYROLLS

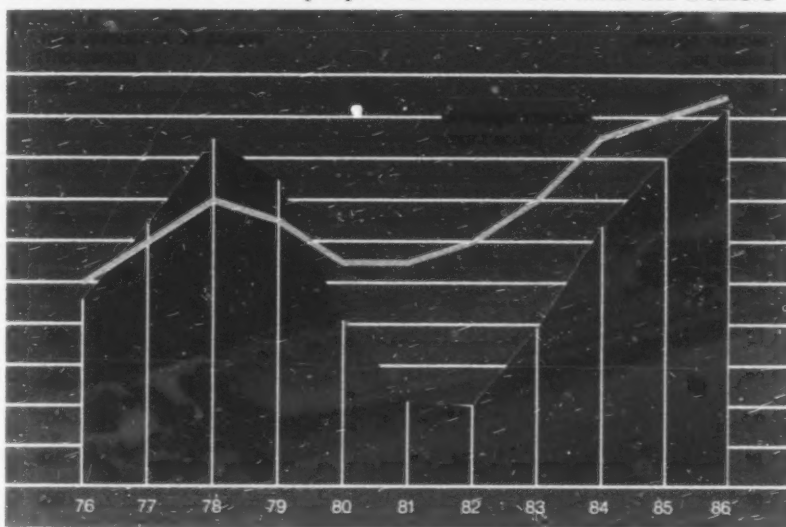
Dealerships are often one of the major employers in their local communities, therefore, the increases in dealership payrolls have been a significant factor behind this nation's sustained economic growth. Over the past four years, total dealership employment has risen by 25 percent, which represents the creation of almost 178,000 new jobs.

The number and type of employees varies significantly among dealerships depending upon dealership characteristics such as size, location, primary make and the distribution of sales among departments. It is estimated, however, that the total employment count of all dealerships in 1986 was distributed as follows:

New and used salespersons	200,600
Mechanics	222,600
Service and parts workers (other than mechanics) ..	218,400
Supervisors, general office workers, and others	238,400
Total	880,000

The average dealer in 1986 employed 35 persons and had an annual payroll of \$780,000. The annual payroll of all dealerships totaled \$19.6 billion and represented 11.9 percent of the total retail trade payroll in the nation. ■

Estimated Number of Employees of Franchised New-Car Dealers



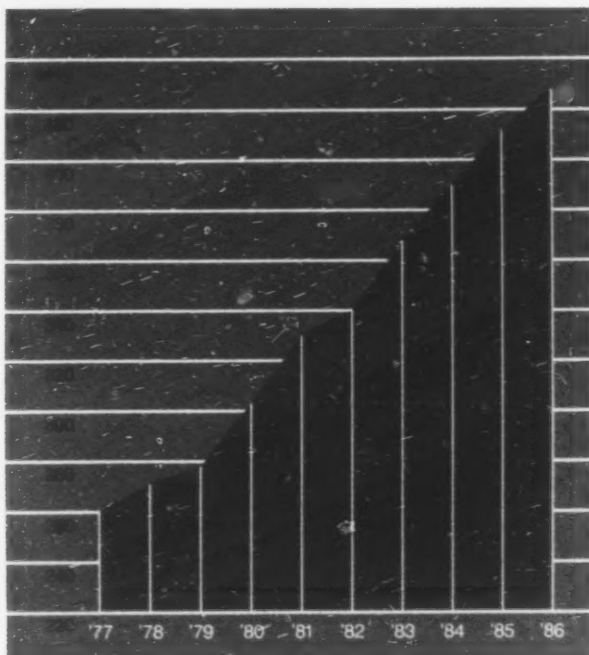
Source: NADA Industry Analysis Division

**Estimated Number of Employees of Franchised New-Car Dealers
1986 Averages by State**

	Total number all dealers	Average number per dealer		Total number all dealers	Average number per dealer
Alabama.....	13,780	36	Montana.....	3,270	17
Alaska.....	1,045	27	Nebraska.....	5,840	20
Arizona.....	13,670	64	Nevada.....	4,195	58
Arkansas.....	6,550	18	New Hampshire...	5,105	27
California.....	96,950	52	New Jersey.....	27,990	37
Colorado.....	13,210	47	New Mexico.....	5,095	34
Connecticut.....	15,300	40	New York.....	45,445	32
Delaware.....	2,825	39	North Carolina....	24,630	33
D.C.....	590	59	North Dakota.....	3,275	19
Florida.....	48,040	55	Ohio.....	42,540	37
Georgia.....	25,110	39	Oklahoma.....	12,865	30
Hawaii.....	3,000	60	Oregon.....	11,160	35
Idaho.....	3,585	23	Pennsylvania.....	44,480	28
Illinois.....	37,670	30	Rhode Island.....	3,410	37
Indiana.....	19,735	28	South Carolina....	11,430	34
Iowa.....	10,700	18	South Dakota.....	3,010	18
Kansas.....	9,610	23	Tennessee.....	18,010	39
Kentucky.....	11,455	31	Texas.....	55,900	36
Louisiana.....	13,605	34	Utah.....	5,095	32
Maine.....	5,065	25	Vermont.....	2,510	22
Maryland.....	20,440	54	Virginia.....	28,210	45
Massachusetts....	24,535	41	Washington.....	14,710	38
Michigan.....	34,960	39	West Virginia.....	7,380	27
Minnesota.....	15,635	26	Wisconsin.....	18,680	24
Mississippi.....	7,895	25	Wyoming.....	2,065	23
Missouri.....	18,740	31	Total U.S.....	880,000	35

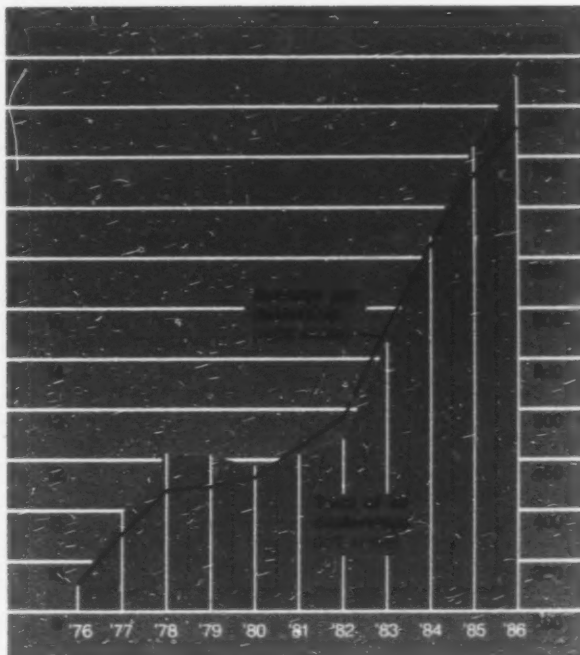
EMPLOYMENT AND PAYROLLS

Average Weekly Earnings of Dealership Employees



Source: NADA Industry Analysis Division

Annual Payroll of Franchised New-Car Dealerships



Source: NADA Industry Analysis Division

Average Weekly Earnings of Franchised New-Car Dealers Employees in 1986

Alabama.....	385	Montana.....	346
Alaska.....	606	Nebraska.....	345
Arizona.....	484	Nevada.....	521
Arkansas.....	341	New Hampshire.....	412
California.....	516	New Jersey.....	487
Colorado.....	456	New Mexico.....	379
Connecticut.....	447	New York.....	439
Delaware.....	417	North Carolina.....	398
D.C.....	407	North Dakota.....	360
Florida.....	457	Ohio.....	400
Georgia.....	433	Oklahoma.....	387
Hawaii.....	415	Oregon.....	397
Idaho.....	347	Pennsylvania.....	380
Illinois.....	446	Rhode Island.....	413
Indiana.....	381	South Carolina.....	371
Iowa.....	347	South Dakota.....	347
Kansas.....	373	Tennessee.....	392
Kentucky.....	356	Texas.....	445
Louisiana.....	377	Utah.....	400
Maine.....	358	Vermont.....	370
Maryland.....	446	Virginia.....	427
Massachusetts.....	429	Washington.....	450
Michigan.....	444	West Virginia.....	332
Minnesota.....	403	Wisconsin.....	379
Mississippi.....	349	Wyoming.....	369
Missouri.....	417	Total U.S.....	428

Source: NADA Industry Analysis Division

Annual Payroll of Franchised New-Car Dealerships 1986 Year by State

State	Total of all dealers (\$ Millions)	Average per dealer (\$ Thousands)	State	Total of all dealers (\$ Millions)	Average per dealer (\$ Thousands)
Alabama.....	275	731	Montana.....	59	309
Alaska.....	33	866	Nebraska.....	105	368
Arizona.....	344	1,599	Nevada.....	114	1,579
Arkansas.....	116	323	New Hampshire.....	109	575
California.....	2,600	1,399	New Jersey.....	709	927
Colorado.....	313	1,118	New Mexico.....	100	669
Connecticut.....	356	929	New York.....	1,035	726
Delaware.....	61	850	North Carolina.....	509	690
D.C.....	13	1,252	North Dakota.....	61	350
Florida.....	1,140	1,319	Ohio.....	885	765
Georgia.....	565	882	Oklahoma.....	259	596
Hawaii.....	65	1,293	Oregon.....	230	717
Idaho.....	65	417	Pennsylvania.....	880	551
Illinois.....	874	695	Rhode Island.....	73	795
Indiana.....	390	561	South Carolina.....	220	656
Iowa.....	193	330	South Dakota.....	54	329
Kansas.....	186	449	Tennessee.....	367	792
Kentucky.....	212	573	Texas.....	1,290	837
Louisiana.....	267	670	Utah.....	106	675
Maine.....	94	463	Vermont.....	48	431
Maryland.....	475	1,262	Virginia.....	625	995
Massachusetts.....	547	912	Washington.....	344	889
Michigan.....	808	902	West Virginia.....	128	469
Minnesota.....	327	555	Wisconsin.....	368	475
Mississippi.....	143	450	Wyoming.....	40	439
Missouri.....	405	666	Total U.S.....	19,585	780

Source: NADA Industry Analysis Division

ADVERTISING AND THE FRANCHISED DEALERSHIP

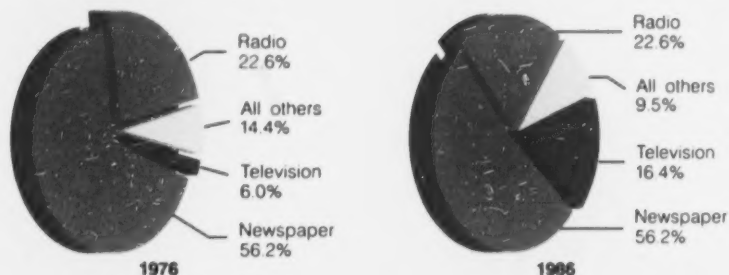
In 1986, franchised new-car and truck dealers spent \$3.4 billion on advertising—an increase of 16 percent from the 1985 level. Advertising expenditures as a percent of total sales reached 1.19 percent, its highest level ever. The table on the right shows that throughout the '80s the advertising to sales ratio has been significantly higher than during the '70s. In the early '80s, much of this increase was a result of the decline in total dollar sales growth. The more recent increases have been a result of the shift in the distribution of dealers across volume categories. (Large volume dealerships, which now represent a greater share of the total dealership population, have traditionally had higher advertising to sales ratios.) Compounding the effect of both these factors has been the strengthening in the positive relationship between advertising intensity and dealership size. Note, for example, that low-volume dealerships have lower advertising to sales ratios now than they did in 1976 or 1978.

Much of the increase in advertising intensity by large-volume dealerships has occurred because of their shift towards a more expensive medium (i.e. television). The table below shows that vir-

tually all of the growth in television advertising by dealers has been the result of the increased use of this medium by large volume dealerships. ■

Percent of Total Advertising Expenditures

Weighted average of all dealers



By annual new unit sales group	Newspaper		Radio		Television		All others	
	1986	1976	1986	1976	1986	1976	1986	1976
I (0-149)	56.5	56.7	30.7	21.8	4.0	4.0	8.8	17.5
II (150-399)	53.3	55.7	26.5	25.7	11.3	5.3	8.9	13.3
III (400-749)	52.9	55.8	23.1	22.0	14.1	10.0	9.8	12.2
IV (750 or more)	51.1	53.2	17.4	19.5	21.9	14.9	9.6	12.4

Advertising as a Percent of Total Dollar Sales

	1986	1985	1984	1982	1980	1978	1976
Weighted average of all dealers	1.19	1.12	0.95	0.92	0.89	0.78	0.82
By annual new unit sales group							
I (0-149)	0.74	0.68	0.58	0.67	0.66	0.77	0.78
II (150-399)	0.87	0.91	0.74	0.77	0.74	0.75	0.84
III (400-749)	1.12	1.07	0.80	0.96	0.94	0.78	0.80
IV (750 or more)	1.28	1.26	1.09	1.08	1.01	0.87	0.91

Estimated Advertising Expenses per Dealer in 1986

Dealers Classified by the Number of New Units Sold in 1986

By media used	Average of all dealers	1-149	150-399	400-749	750 or more
Newspapers	\$70,179	\$10,238	\$31,295	\$71,138	\$196,262
Radio	29,195	5,570	15,586	31,073	66,970
TV	22,047	720	6,612	18,964	83,942
Direct mail	5,686	669	2,326	6,317	16,435
Outdoor	2,642	325	981	2,365	8,755
Programs	1,207	120	587	1,519	3,302
Handouts & handbills	536	87	164	228	1,267
Displays & demos	1,502	158	716	1,882	3,878
Other	1,115	243	458	914	3,189
Total	\$134,109	\$18,130	\$58,725	\$134,400	\$384,000
Total advertising as a % of total sales	1.19%	0.74%	0.87%	1.12%	1.28%
Total advertising per new vehicle sold	\$210	\$145	\$168	\$205	\$223

Local Advertising by Franchised New-Car Dealers

Estimated Totals Spent in 1986 by All Dealers

By media used	
Newspaper	1,763 Million
Radio	734 Million
TV	554 Million
Direct mail	143 Million
Outdoor (billboards, signs)	66 Million
Programs (theatre, sports, school, etc.)	30 Million
Handouts or handbills	13 Million
Displays & demonstrations	38 Million
Other	28 Million
Total	\$3,369 Million

By type of advertising

New vehicle	1,792 Million
Used vehicle	930 Million
Institutional	367 Million
Service	280 Million
Total	\$3,369 Million

CONSUMER CREDIT

In 1986, manufacturers once again offered extensive reduced-rate financing programs in order to stimulate new-car sales. As a result, the average automobile loan rate showed a sharper drop at finance companies than it did at banks.

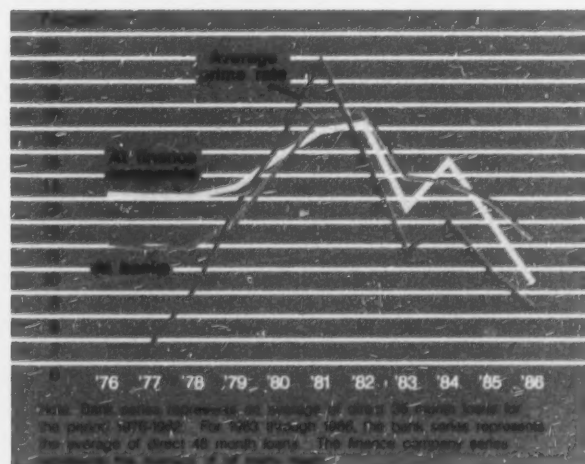
The effects of the reduced-rate financing programs are also reflected in the other charts on this page. The chart at the lower left

shows that finance incentives indeed stimulated the financing of new vehicles and, as a result, auto paper outstanding as a percent of total installment credit reached record highs. The charts on the right show that the manufacturers' captive finance companies captured an increasing share of the market for financing in both 1985 and 1986.

Average Maturity of New-Car Loans at Finance Companies

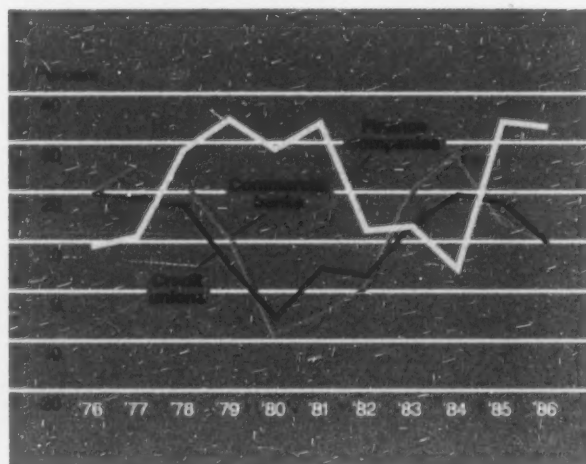
1970.....	34.7 months
1975.....	37.6 months
1980.....	44.7 months
1984.....	48.3 months
1985.....	51.5 months
1986.....	50.0 months

Average Finance Rate on New-Car Loans

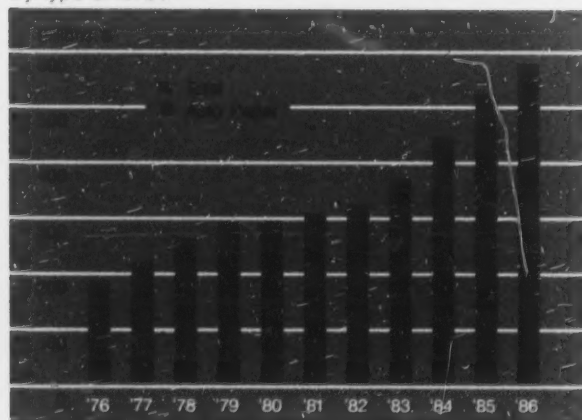


Consumer Installment Credit Outstanding

End of year - seasonally adjusted



Percent Change in Automobile Paper Outstanding By type of lender



Automobile Paper Outstanding by Type of Lender (End of year - seasonally adjusted - millions of dollars)

	Commercial banks		Credit unions		Finance companies	
	Total \$ amount	% of total	Total \$ amount	% of total	Total \$ amount	% of total
1976	39,746	59.5%	15,116	22.6%	11,959	17.9%
1977	49,727	61.4%	17,946	22.2%	13,275	16.4%
1978	60,657	61.4%	21,032	21.3%	17,050	17.3%
1979	67,464	60.0%	22,063	19.6%	22,948	20.4%
1980	61,557	55.0%	20,876	18.6%	29,503	26.4%
1981	58,336	48.8%	21,796	18.2%	39,478	33.0%
1982	58,723	46.8%	22,419	17.9%	44,298	35.3%
1983	70,430	48.3%	25,391	17.4%	50,053	34.3%
1984	89,796	52.1%	30,305	17.6%	52,251	30.3%
1985	102,331	49.2%	35,635	17.1%	70,091	33.7%
1986	112,754	46.0%	39,027	15.9%	93,274	38.1%

Source: Federal Reserve Board

VEHICLES IN OPERATION/SCRAPPAGE

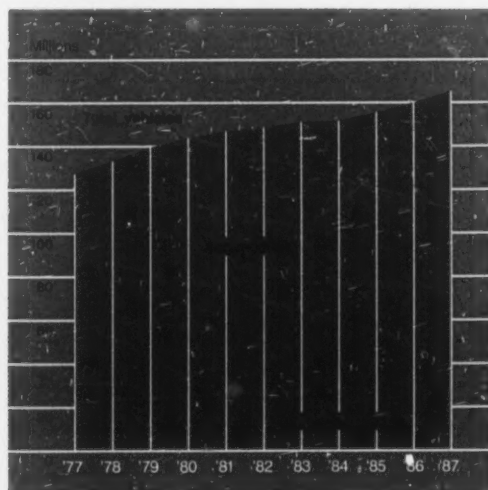
Over the past ten years, the total number of vehicles in operation has increased by 30 percent. Trucks and buses in operation have increased by 42 percent, while automobiles have increased by 26 percent. The stagnation in the economy from 1980 to 1982 and the long-term decline in the population growth rate have re-

sulted in a slowing in the rate of increase for vehicles in operation. The compound annual growth rate of automobiles in operation for various time periods is presented below.

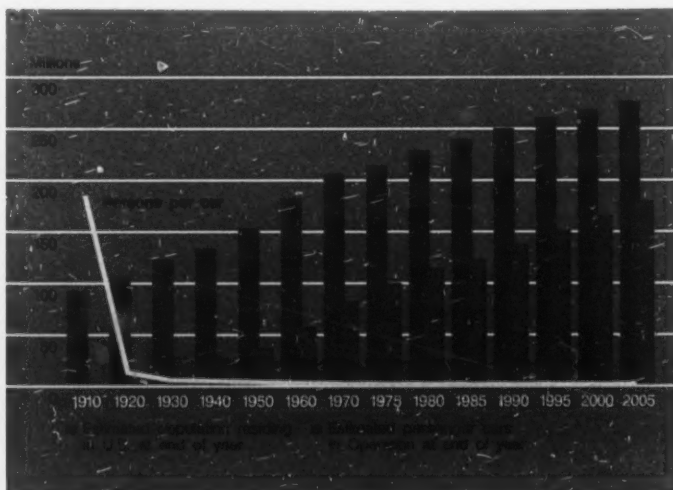
1960-1965	3.7%
1965-1970	4.1%
1970-1975	4.0%
1975-1980	2.8%
1980-1985	1.4%
1985-1990 (estimated)	2.2%

Vehicles in Operation

As of January 1

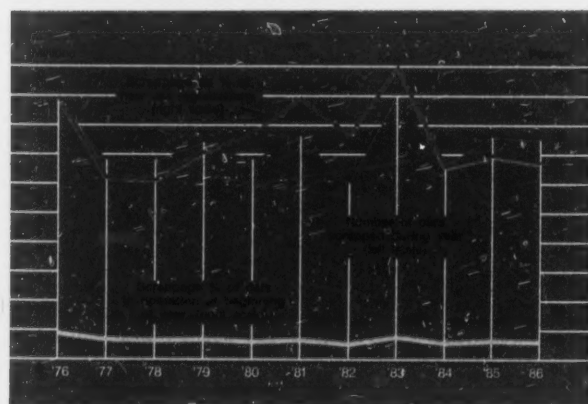


Cars and Population



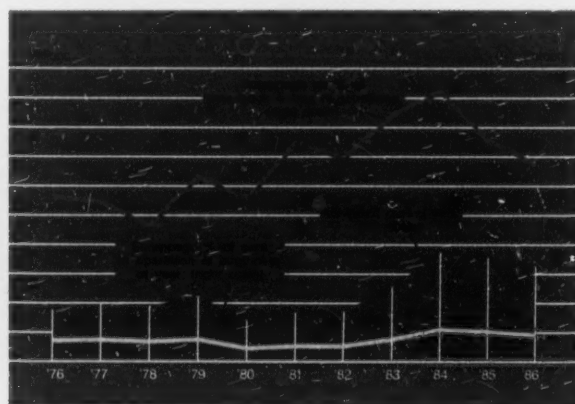
Source: U.S. Bureau of the Census and NADA Industry Analysis Division

Estimated Auto Scrappage



Source: NADA Industry Analysis Division

Estimated Truck & Bus Scrappage



Source: NADA Industry Analysis Division

TOTAL REGISTRATIONS

Total U.S. Motor Vehicle Registration in 1986

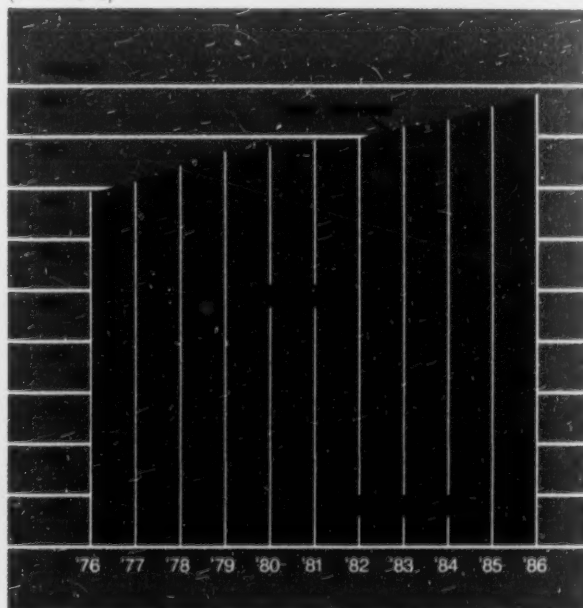
State	Autos	Truck & Buses	Total Vehicles*	State	Autos	Truck & Buses	Total Vehicles*
Alabama	2,417,000	1,044,000	3,461,000	Montana	382,000	246,000	628,000
Alaska	217,000	131,000	348,000	Nebraska	842,000	420,000	1,262,000
Arizona	1,662,000	691,000	2,353,000	Nevada	502,000	194,000	696,000
Arkansas	939,000	496,000	1,435,000	New Hampshire	845,000	165,000	1,019,000
California	15,384,000	4,319,000	19,703,000	New Jersey	4,428,000	498,000	4,926,000
Colorado	2,027,000	742,000	2,769,000	New Mexico	732,000	423,000	1,155,000
Connecticut	2,377,000	160,000	2,537,000	New York	8,185,000	1,188,000	9,373,000
Delaware	383,000	102,000	485,000	North Carolina	3,314,000	1,222,000	4,536,000
D.C.	328,000	17,000	345,000	North Dakota	376,000	273,000	649,000
Florida	8,142,000	2,207,000	10,349,000	Ohio	6,972,000	1,359,000	8,331,000
Georgia	3,375,000	1,311,000	4,686,000	Oklahoma	1,915,000	1,000,000	2,915,000
Hawaii	589,000	83,000	672,000	Oregon	1,561,000	662,000	2,223,000
Idaho	528,000	334,000	862,000	Pennsylvania	5,980,000	1,360,000	7,340,000
Illinois	6,137,000	1,648,000	7,785,000	Rhode Island	517,000	98,000	615,000
Indiana	3,035,000	1,055,000	4,090,000	South Carolina	1,715,000	561,000	2,276,000
Iowa	1,988,000	776,000	2,764,000	South Dakota	429,000	248,000	677,000
Kansas	1,490,000	681,000	2,171,000	Tennessee	3,070,000	844,000	3,914,000
Kentucky	1,777,000	864,000	2,641,000	Texas	8,606,000	4,006,000	12,612,000
Louisiana	2,079,000	975,000	3,054,000	Utah	733,000	372,000	1,105,000
Maine	641,000	220,000	861,000	Vermont	315,000	103,000	418,000
Maryland	2,771,000	588,000	3,359,000	Virginia	3,838,000	625,000	4,463,000
Massachusetts	3,264,000	473,000	3,737,000	Washington	2,652,000	1,115,000	3,767,000
Michigan	5,762,000	1,425,000	7,187,000	West Virginia	860,000	379,000	1,239,000
Minnesota	2,744,000	804,000	3,548,000	Wisconsin	2,528,000	753,000	3,281,000
Mississippi	1,375,000	435,000	1,810,000	Wyoming	286,000	221,000	507,000
Missouri	2,648,000	945,000	3,593,000	Total U.S.	135,671,000	40,861,000	176,532,000

*Total Vehicles Excludes Motorcycles (5,358,000)

Source: U.S. Department of Transportation, Federal Highway Administration

Total U.S. Motor Vehicle Registrations

(in millions)



FRANCHISED NEW-TRUCK DEALERS

Total new-truck sales hit an all-time high of 4.8 million units in 1986, but all of the increase was accounted for by the light-duty segment. With class 8 sales falling 15 percent, the total medium- and heavy-duty segment reported a 7 percent decline in sales.

New-Truck Sales

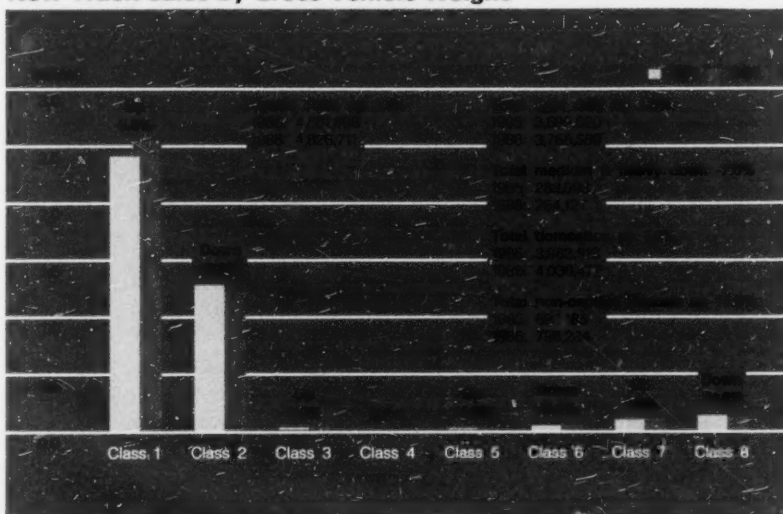
Trucks are classified by gross vehicle weight into eight categories:

- 1 0-6,000 lbs.
- 2 6,001-10,000 lbs.
- 3 10,001-14,000 lbs.
- 4 14,001-16,000 lbs.
- 5 16,001-19,500 lbs.
- 6 19,501-26,000 lbs.
- 7 26,001-33,000 lbs.
- 8 33,001 lbs. and over

Tax considerations aided medium- and heavy-duty truck sales in December and, as a result, their inventory level expressed in days' supply dropped substantially. Light-duty truck sales were strong all year, but inventory levels remained high due to the even stronger factory production of these units.

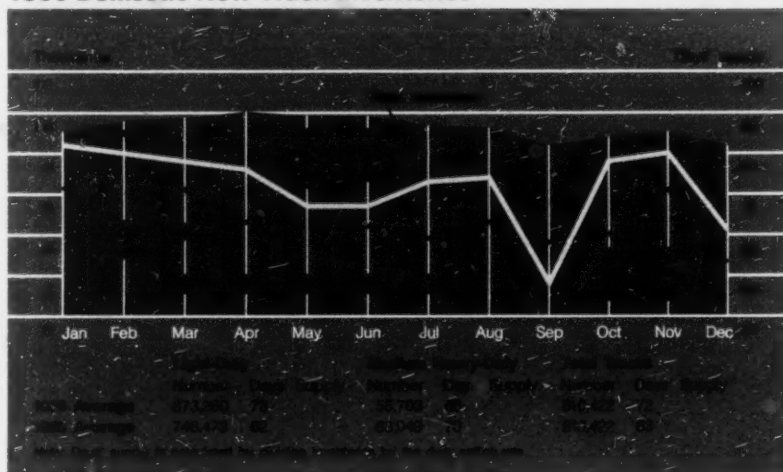
The 7 percent decline in medium- and heavy-duty truck sales, depicted above, contributed significantly to the 13 percent decline in net profit for truck dealerships. In spite of a 2 percent increase in service and parts sales, the average medium- and heavy-duty truck dealership reported a 5 percent decline in total dealership sales.

New-Truck Sales by Gross Vehicle Weight



Source: Ward's Automotive Reports

1986 Domestic New-Truck Inventories



Source: Ward's Automotive Reports

Average Financial Profile

Medium- and Heavy-Duty Truck Dealerships

	1985	1986	% Change 1985-86
Total dealership sales	14,232,000	13,530,000	- 4.93
Total dealership gross	2,102,400	2,054,400	- 2.28
As % of total sales	14.8%	15.2%	
Total dealership expense	1,822,800	1,810,800	- 0.66
As % of total sales	12.8%	13.4%	
Net profit before taxes	279,600	243,600	- 12.88
As % of total sales	2.0%	1.8%	
New-vehicle dept. sales	8,527,200	7,611,600	- 10.74
As % of total sales	59.9%	56.3%	
Used-vehicle dept. sales	1,449,600	1,441,200	- 0.58
As % of total sales	10.2%	10.7%	
Service and parts sales	4,155,600	4,225,200	1.67
As % of total sales	29.2%	31.2%	

Source: NADA American Truck Dealers Division

1987 Officers of the National Automobile Dealers Association



James T. Caplinger
President



Jimmy Payton
First Vice President



Marvin D. Hartwig
Treasurer



Ray Green
Secretary



James B. Woulfe
Immediate Past President



Frank E. McCarthy
Executive Vice President



John J. Ferron
Vice President

NADA DATA is prepared by NADA's Industry Analysis Division. For further information, or to order additional copies (\$10 apiece) please call (703) 821-7088.

1986 Industry Highlights

*Number of franchised new-car dealerships (year end)	25,150
*Total dollar sales	
All dealerships	\$283.2 billion
Average dealerships	\$11,269,652
*Number of new cars sold	
All dealerships	11,425,566
Average dealership	456
*Total employment	
All dealerships	880,000
Average dealership	35
*Total annual payroll	
All dealerships	\$19.6 billion
Average dealership	\$780,000
*Total local advertising expenditures	
All dealerships	\$3.4 billion
Average dealership	\$134,109
*Number of vehicles in operation (year end)	165,819,000
*Number of medium- and heavy-duty trucks sold	264,127



**NATIONAL AUTOMOBILE DEALERS ASSOCIATION
INDUSTRY ANALYSIS DEPARTMENT**

8400 Westpark Drive
McLean, Virginia 22102
(703) 821-7295

